

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of
VERIZON NORTHWEST, INC.
For waiver of WAC 480-120-071(2)(a).

Docket No. UT-011439

COMMISSION STAFF'S MOTION
TO COMPEL RESPONSES BY
VERIZON

**NON-CONFIDENTIAL
VERSION**

Commission Staff requests the Commission to compel Verizon Northwest Inc. to respond to Commission Staff's Data Requests to Verizon Nos. 88 through 91 and 96 through 99. (See Attachment A.)¹ This proceeding concerns two line extension requests that Verizon has described as so expensive as to warrant a waiver from the Commission so that Verizon need not construct them. The data requests in question seek information about a line extension completed by Verizon to serve nine customers in the Sultan exchange at a cost of _____. Yet Verizon contends it is not required to provide any information in response to Staff's requests about that extension, because there is allegedly "absolutely no relevancy" between the expenditures at issue there and those at issue here. Staff emphatically disagrees. There is hardly anything that could be more relevant than what Verizon has invested in other extensions, because Verizon seeks to make this a case almost entirely about relative costs, contending that some extensions are worth the investment, but that the Taylor and Timm Ranch extensions are not. Staff, for the reasons

¹ Staff originally sought also sought responses Data Requests to Verizon Nos. 92-95. Staff has decided to withdraw these four data requests.

below, therefore requests that the Commission order Verizon to respond to Data Requests to Verizon Nos. 88-91 and 96-99 as provided in WAC 480-09-480.

A. BACKGROUND

On March 12, 2002, Staff asked Verizon to respond to Data Request to Verizon No. 44:

In response to DR 17, Verizon stated that it has computed an average cost for extensions since WAC 480-120-071 became effective. For all of its Washington districts, please list the location, length, cost of reinforcement, cost of extension, and number of households served for extensions constructed under Verizon's line extension tariff currently in effect.

Verizon responded on March 25, 2002 with a confidential response that listed 14 extensions. (See Attachment B--**Confidential**). It did not include on that list an extension in the Sultan exchange.

On May 2, 2002, Verizon filed Advice No. 3036 (this included information about an extension of service under Work Order 2180-7P001A) with the Commission, in which it requested a change to its terminating access rate to recover investment in service extensions made in the year 2001. Included on that list were 14 extensions, including one in the Sultan exchange with a total cost of _____. Unlike the others listed with this Advice, the Sultan exchange row did not include the number of "Customers In -Service." Verizon also indicated it had collected ____ from each of ___ customers associated with the 14 extensions, for a total of _____. (See Attachment C--**Confidential**) _____ customers matched the number of customers shown for all extensions except the Sultan exchange extension, which had a blank for the number of customers served. This item was docketed as UT-020557.²

² The Sultan exchange extension became known to Staff two weeks after Staff filed its testimony. Had Verizon informed Staff on March 26, 2002, about the extension in Sultan, as it did about other extensions, Staff's April 17, 2002 testimony may have been different. Staff may seek leave to file supplemental testimony.

On May 14, 2002, Verizon stated in an e-mail to the Commission (See Attachment D) that “reinforcement costs were backed out” before the tariff filing in UT-020557 was submitted. On May 15, 2002, Verizon filed its reply testimony in this proceeding and with it included a copy of its response to Staff Data Request to Verizon No. 44, the list of 14 extensions that still did *not* include the Sultan exchange extension. On May 16, 2002, Verizon sent revised information to the Commission about the list of 14 extensions in UT-020557 that indicated there were ____ customers for the Sultan exchange extension. (See Attachment E--**Confidential**) On May 30, 2002, Verizon submitted additional information to the Commission in UT-020557 that indicated it had received _____ in customer payments, reflecting a charge of ____ per customer for the ____ customers served by the Sultan exchange extension. (See Attachment F--**Confidential**) The tariff filing has been placed on the Commission’s no-action agenda for the July 10, 2002 open meeting.

On June 20, 2002, Staff made its discovery request concerning the extension. On June 21, 2002, Verizon informed Staff that it would not respond to data requests about the Sultan exchange extension (Data Request Nos. 88-99) because they were of “absolutely no relevancy.” (See Attachment G.) In that event, Staff’s counsel informed Verizon by phone that it would likely seek to compel responses to these data requests. At the same time, Staff informed Verizon that responding to the discovery requests in ten working days rather than the four working days permitted under the Commission’s Fourth Supplemental Order would be acceptable to Staff.

B. INFORMATION ABOUT A _____ EXTENSION IS RELEVANT

Verizon has premised its case for a waiver on the cost of the Taylor extension and the Timm Ranch extension, stating that “this Commission cannot find that it is reasonable for Verizon and Washington ratepayers to pay over \$1.2 million to extend service to eight

customers.” Amended Petition for Waiver at 1. Verizon’s use of \$1.2 million includes reinforcement. The costs without reinforcement are, for Taylor, \$165,015, and for Timm Ranch, \$737,672. Testimony of Robert B. Shirley (RBS-T) (April 17, 2002) at 14. Comparing an extension of _____ to serve ____ customers is very relevant in a comparison to one for \$165,015 to serve at least three customers and another of \$737,672 to serve at least five customers.

In testimony filed on May 15, 2002, Ms. Ruosch criticizes Mr. Shirley’s view of typical Verizon extension projects and states he used “outliers” when making comparisons. Reply Testimony of Kay Ruosch (KR-7T) at 9. Ms. Ruosch refers to the list of extensions provided to Staff in response to Data Request No. 44 in March, the list that does not include the _____ extension in the Sultan exchange. Staff does not understand how Verizon’s witness can criticize Mr. Shirley’s comparisons as “outliers,” when in fact Verizon had completed an extension in 2001 costing several times more than the examples labeled as “outliers.”

Also on May 15, 2002, Dr. Danner stated in his testimony, “I think it is difficult enough to justify a subsidy of \$15,000 to \$20,000 per customer to provide telephone service, especially under these circumstances.” Reply Testimony of Carl R. Danner (CRD-3T) at 15, line 9. The per-customer cost for the extension in the Sultan exchange is _____, approximately ____ times Mr. Danner’s suggested upper limit. Staff considers information about an extension that averages _____ per customer to be relevant when a witness for the company that built the extension and requested a tariff increase to recover the amount has testified that \$20,000 per customer is difficult to justify.

On May 20, 2002, Commission Staff asked if Dr. Danner’s reply testimony on page 13, lines 15 through 21, means that the externality value could justify constructing a \$600,000-plus

extension to serve 10 customers. Staff Data Request to Verizon No. 86. Staff also asked if there are any other factors that would justify such an extension. Dr. Danner's response to the data request was: "Although the calculation will vary from situation to situation, as a matter of economics, Dr. Danner believes the most likely answer is 'no.'" Commission Staff thinks that information about an extension that costs on average _____ per customer is relevant when Verizon's economic and policy witness states that an average of \$60,000 per customer (\$600,000 for 10 customers) cannot be justified by the externality value associated with telephone service.

Staff needs the requested discovery in order to be in a position to determine if it should seek leave to file supplemental testimony and to prepare for cross examination. The information is relevant because Verizon has made this a case about relative value of the Taylor and Timm Ranch extensions, compared to other extensions. It is important that Staff know what was constructed for _____; to know how information concerning the Sultan exchange extension affected the direct and reply testimony of Ms. Ruosch and Dr. Danner; and to know how Verizon believes the Sultan exchange extension relates to the Taylor and Timm Ranch extensions.

Staff, therefore, requests that the Commission order Verizon to respond to Data Requests to Verizon Nos. 88-91 and 96-99.

DATED this 3rd day of July, 2002.

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